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ANNUAL
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KERR ADDISON MINES

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KERR ADDISON MINES LIMITED

DIRECTORS

JOHN R. BRADFIELD, LL.D.	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
M. S. FOTHERINGHAM	-	-	-	-	-	-	-	-	-	-	-	Steep Rock Lake, Ont.
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
H. E. LANGFORD	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
HAROLD H. LEATHER, M.B.E.	-	-	-	-	-	-	-	-	-	-	-	Hamilton, Ont.
R. V. PORRITT	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. H. REA	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. DENT SMITH	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.

OFFICERS

W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	<i>President</i>
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	-	<i>Executive Vice-President</i>
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
B. C. BONE	-	-	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>
J. B. SAGE	-	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary</i>
S. C. YULE, Virginiatown, Ont.	-	-	-	-	-	-	-	-	-	-	-	<i>Manager</i>

HEAD OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

MINE OFFICE: Virginiatown, Ont.

EXPLORATION OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

TRANSFER AGENTS AND REGISTRARS

EASTERN & CHARTERED TRUST COMPANY	-	-	1901 Yonge Street, Toronto 7, Ont.
REGISTRAR & TRANSFER COMPANY	-	-	140 Cedar Street, New York, N.Y.
REGISTRAR & TRANSFER COMPANY	-	-	15 Exchange Place, Jersey City 2, N.J.

AUDITORS

CLARKSON, GORDON & Co.	-	-	-	-	15 Wellington Street West, Toronto, Ont.
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ANNUAL MEETING

April 21st, 1967, 12:00 Noon (Toronto Time) Hampton Court
King Edward Sheraton Hotel, Toronto, Ont.

Directors' Report

To The Shareholders:

Your Directors submit herewith the Annual Report of your Company covering the year ended December 31, 1966.

Financial

Net profit was 38 cents per share and four dividends of 10 cents each were paid. There was no income tax liability due to available write-offs of deferred exploration expenditures, some of which will still be available in 1967.

At the year-end the net value of liquid assets, including bonds and shares totalling \$45,371,971 at quoted market prices and supplies and prepaid items at cost, amounted to \$47,889,807 equivalent to \$6.76 per share outstanding which compares with \$7.44 per share at the end of 1965. Market appreciation during January 1967 fully restored the value of net liquid assets.

The Kerr Addison Mine

The Manager's Report contained herein gives details of production and operations.

Gold output was 188,459 ounces compared to a production of 223,252 ounces the previous year. This lower production reflects the lower tonnage milled.

There was a severe shortage of experienced miners especially during the summer months. Every effort was made to recruit miners and recruiting teams were sent as far as Belle Isle, Newfoundland with little success. Efforts were continued to recruit mining trainees locally but it was not until late fall when some construction projects were shut down for the winter that suitable men became

available. In our affluent society Canadian youths in general are not willing to work underground and a program of recruiting immigrants on a selective basis is required if the mining industry is not to suffer a chronic labour shortage. For the past fifty years much of the working force of Canada's underground metal mines has come from European countries. At present we are barred from a program of recruiting immigrants because of the regulation of the Department of Manpower and Immigration requiring such immigrants without special skills to have the equivalent of Grade 10 education. We are hopeful that this regulation will be relaxed.

The grade of ore milled was 0.357 ounces per ton, a slight increase over the 0.350 ounces per ton of the previous year. Bullion sales to the Royal Canadian Mint averaged \$37.80 per ounce compared to \$37.83 per ounce in the previous year.

The operating costs increased \$1.40 per ton or 15% due to lower tonnage treated, increased cost of supplies and labour and inefficiencies due to the extremely high labour turnover. Part of this increase will be recovered through increased payments under the Emergency Gold Mining Assistance Act.

The ore reserve at year-end was 4,189,565 tons containing 0.439 ounces gold per ton compared with 4,825,543 tons containing 0.433 ounces gold per ton a year earlier. In addition to 540,536 tons mined, 95,442 tons were removed from reserves for economic reasons.

It is with pleasure your Directors record their sincere appreciation of the work accomplished by the Manager, staff and employees during a year in which operating difficulties

were the most acute in the 30 year history of the mine except during the war years.

Joutel Copper Mines Limited

The year 1966 saw completion of plant construction, extensive underground development and detailed ore delineation in preparation for initial production scheduled for early 1967.

New plant buildings include a headframe with a 700 ton ore bin, main service building, office and dry house, and warehouse.

At year-end concrete work and erection were well underway in the crusher station and permanent loading pocket and all electrical equipment and power lines necessary for production had been installed.

Underground development completed during the year included cutting of stations, driving of drifts, sub-drifts and raises and necessary stope development required to enable the mine to produce 700 tons of ore daily. Nearly 30,000 feet of underground diamond drilling was done to detail ore zones. Although detailed diamond drilling of the known copper zones is not yet complete, previously published copper ore reserves (1,370,000 tons grading 2.35% copper before dilution) have been substantiated.

Mining in the initial phase will be by blast hole and shrinkage stoping. The ore will be trucked a distance of 3 miles for treatment on a toll basis in the concentrator of Mines de Poirier Inc. The required expansion of the Mines de Poirier concentrator was completed in September at a cost to Joutel of approximately \$650,000.

It is expected that ore shipments will commence by mid-February of this year.

Kerr Addison holds \$1,973,100 Joutel Debentures and about two-thirds of the issued shares.

The Bouzan Mine

This property consists of 272 acres in McKenzie Township in the Chibougamau area in the Province of Quebec. A payment of \$300,000 was received from The Patino Mining Corporation for that portion of the property they purchased in 1962 for \$1,800,000 payable in six annual instalments. Two more payments remain to be made.

There were no developments at the property during the year. It is proposed to arrange for further exploration from the underground workings when conditions permit.

Vangorda Mines Limited

Kerr Addison owns about two-thirds of the issued shares of this Company which holds a property consisting of 51 claims located in the Yukon Territory about 125 miles north-east of Whitehorse. No exploration work was done on the property during the year and the previously estimated tonnage of some 9,400,000 tons averaging 3.18% lead, 4.96% zinc, 0.27% copper, 1.76 ounces of silver and 0.02 ounces of gold per ton remains unchanged.

Any future production plans for this property are dependent upon the availability of low cost transportation and power and favourable economic conditions for the sale of lead and zinc in world markets.

Exploration

An aggressive exploration program was carried out across Canada and to some extent outside the country. At the year-end, 1,573 claims, 3 claim blocks, and 1 mineral reservation were held in five provinces, the Yukon and Northwest Territories.

Diamond drilling is underway on three properties and is scheduled for seven others.

Directors' Report continued

Major primary exploration projects are planned for Ontario, Quebec and British Columbia. In addition Kerr Addison is participating in two major syndicates, and is testing properties jointly with others.

The Icon Syndicate, in which Kerr Addison has a 25% interest, discovered a copper deposit in O'Sullivan Township in the Province of Quebec containing 750,000 tons in two zones with an average copper content of 3.5%. An agreement has been reached to mill 600 tons of ore per day at the concentrator of the Merrill Island Mining Corporation Ltd. commencing about May 1 of this year.

During the year Kerr Addison drilled approximately 22,500 feet on the uranium property of Quebec Mattagami Minerals Limited in the Agnew Lake area near Espanola, Ontario, under an agreement which assures Kerr Addison of an 80% interest in a company to be formed and which will own the property. Results to date indicate that the important No. 3 zone is at least 3,000 feet long, extends to at least 2,000 feet in depth, and is estimated to contain within those dimensions approximately 5,000,000 tons averaging 2 lbs. U_3O_8 per ton. This zone has not been delimited either as to strike length or depth. The presence of an intermediate zone (No. 4) above the No. 3 zone, another zone (No. 5) about 600 feet stratigraphically below the No. 3 zone, and a further zone (No. 6) about 600 feet stratigraphically below the No. 5 zone have been indicated by diamond drilling. Previous drilling by others on the property had outlined the No. 2 zone which occurs about 600 feet stratigraphically above the No. 3 zone. The No. 2 zone is estimated to contain 800,000 tons averaging 1 lb. U_3O_8 per ton over a length of 3,000 feet to a depth of 400 feet with extension to depth open.

Kerr Addison has staked approximately 450 additional claims in the Agnew Lake area which cover about 20 square miles and contain several formerly known uranium showings. Geological mapping of the claims has been carried out over the past two field seasons and a diamond drilling program was started in September. By the year-end 24 holes totalling about 9,500 feet had been drilled, the location of most of them being influenced by assessment work requirements.

It is planned to use three diamond drills throughout 1967 to check ore extensions on the Quebec Mattagami property and to test Kerr Addison's claims. Metallurgical studies are now being carried out on core samples.

Some 30 holes totalling approximately 14,500 feet were drilled on the Swim Lakes "A" Group of 72 claims in the Vangorda area of the Yukon in the main gravity anomaly area at 200 foot centres over a 2,000 foot northwest-southeast length and 600 foot width. Although some extensions are possible it is believed that the zone has been largely delimited. Results of the drilling indicate approximately 5,000,000 tons containing 1.5 ounces of silver per ton and 9.5% combined lead-zinc, with minor copper and gold values. Additional work on the deposit will await further developments in the region.

The future of the Company depends on the success of its exploration program. The Chief Geologist and his staff are commended for their achievements during the past year.

On behalf of the Board,

W. S. ROW,

February 2, 1967.

President.

Manager's Report

The President and Directors,
Kerr Addison Mines Limited,
Toronto, Ontario.

Dear Sirs:

This report covering the operations at the mine for the year ending December 31, 1966, is submitted for your consideration.

Production:

During the year 1966, 540,536 tons of ore were milled at an average rate of 1,480.9 tons per day. The grade was 0.357 ounces of gold per ton, up slightly from 0.350 in 1965. The total realized value per ounce of gold was down 3 cents to \$37.80. Due to the decline in tonnage milled, the total value of production dropped from \$8.45 million in 1965 to \$7.12 million in 1966.

The overall recovery of gold in the milling operation was 97.6%. The retreatment of the cyanidation tailing by flotation and roasting improved the recovery by 6.47% and increased the operating profit by \$349,552 or 65 cents per ton milled.

Summary of Production

Production	1966	1965
Tons Milled	540,536	653,757
Average Tons Milled Per Day	1,480.9	1,791.1
Total Gold Recovered	188,458.82 oz.	223,252.31 oz.
Total Silver Recovered	11,353.96 oz.	13,755.38 oz.
Average Mill-Head Value Per Ton (Bullion Plus Tails)357 oz.	.350 oz.
(Au @ \$35.00)	\$ 12.51	\$ 12.25
Percentage Recovery	97.6	97.6
Total Realized Value of Bullion (Canadian Funds)	\$7,124,161	\$8,444,945
Total Realized Value of Bullion Per Ounce of Gold	\$ 37.80	\$ 37.83
Total Realized Value of Bullion Per Ton Milled	\$ 13.18	\$ 12.92

Manager's Report continued

Cost of Production	1966		1965	
	<i>Total</i>	<i>Per Ton</i>	<i>Total</i>	<i>Per Ton</i>
Development	\$ 65,497	\$.12	\$ 53,652	\$.08
Stope Development	76,919	.14	43,460	.07
Mining	2,269,247	4.20	2,414,736	3.69
Haulage	251,314	.47	297,177	.46
Hoisting	251,883	.47	269,143	.41
General Mine Charges	1,343,728	2.49	1,335,288	2.04
Crushing and Conveying	103,746	.19	138,917	.21
Milling	720,725	1.33	858,168	1.31
General Expense	644,314	1.19	606,943	.93
Bullion Marketing	49,518	.09	56,908	.09
Total Operating Cost at Mine	<u>\$5,776,891</u>	<u>\$ 10.69</u>	<u>\$6,074,392</u>	<u>\$ 9.29</u>

Operating Profit

Net Operating Profit at Mine (before provision for Depreciation, Taxes and Head Office Expense)	<u>\$1,347,270</u>	<u>\$ 2.49</u>	<u>\$2,370,553</u>	<u>\$ 3.63</u>
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The total operating cost per ton increased by \$1.40. This reflects the decrease in tons milled and is also due in part to the increase in the percentage of ore mined by the higher cost square-set and undercut-and-fill methods. Labour costs rose during the last four months following a wage adjustment on August 24th, 1966.

The prices of timber and most chemicals remained steady but there was an increase of from 3 to 17% in the price of rock drill and slusher hoist parts, explosives, electrical supplies, iron and steel, and some rubber goods.

Mine Development and Mining:

Drifting, cross-cutting and raising, amounting to 1,837 feet, was confined to known ore zones between the 1600 and 4400-foot levels.

Stoping operations were carried out in the No. 6, 14, 15, 16 and 21 Orebodies between the 300 and 4400-foot levels. At the end of the year no mining was being done above the 1450-foot level. Pillar recovery is following stoping operations as closely as possible and is being carried out between the 1450 and 3700-foot levels in the No. 6, 16 and 21 Orebodies.

Ore broken by square-set methods accounted for 73.6% of all ore broken, compared with 62.9% in 1965. Ore broken in pillars represented 29.8% of all ore broken as compared with 23.7% in 1965.

SUMMARY OF DEVELOPMENT AND MINING FOR 1966

Level	ADVANCE IN FEET							CUBIC FEET		FEET	TONS OF ORE BROKEN IN				
	Shafts	Drifts	X-Cuts	Raises	Box-holes	Sub Drifts	Total Lin. Feet	Slash-ing	Station Cutting	Diamond Drilling	Dev.	St. Dev.	Stopes	Pillars	Total
300	—	—	—	—	—	—	—	—	—	—	—	—	1,893	—	1,893
700	—	—	—	—	—	—	—	176	—	—	—	—	—	—	—
1300	—	—	—	—	—	—	—	—	—	—	—	—	—	6,360	6,360
1600	—	—	—	—	—	—	—	820	—	—	—	—	4,184	16,111	20,295
1750	—	—	—	66	—	—	66	—	—	259	343	—	52,936	6,985	60,264
1900	—	—	46	121	—	—	167	1,344	—	223	586	—	10,607	45,672	56,865
2050	—	—	—	144	—	—	144	648	—	—	630	—	28,694	—	29,324
2200	—	—	36	139	—	—	175	156	—	103	—	183	10,261	5,132	15,576
2350	—	—	—	121	—	—	121	—	—	264	758	—	35,938	10,009	46,705
2500	—	—	—	—	—	—	—	—	—	—	—	—	—	198	198
2650	—	—	—	—	—	—	—	—	—	—	—	—	22,031	7,535	29,566
2800	—	144	—	—	—	—	144	1,837	—	—	989	—	15,324	18,813	35,126
2950	—	55	—	51	—	—	106	—	—	—	24	—	25,963	—	25,987
3100	—	—	—	99	—	—	99	—	—	—	555	—	5,613	—	6,168
3250	—	—	—	—	—	—	—	—	—	25	—	—	19,653	12,283	31,936
3400	—	—	—	—	—	—	—	161	—	—	—	—	—	7,778	7,778
3550	—	—	—	—	—	—	—	—	—	—	—	—	15,613	—	15,613
3700	—	112	—	159	—	—	271	2,375	—	—	1,253	—	1,763	6,882	9,898
3850	—	—	23	319	—	—	342	—	—	73	1,740	—	56,046	—	57,786
4000	—	—	8	—	—	—	8	—	—	—	—	—	3,460	—	3,460
4200	—	—	—	194	—	—	194	—	—	170	1,645	—	25,567	—	27,212
4400	—	—	—	—	—	—	—	—	—	—	—	—	3,804	4,034	7,838
TOTALS 1966	—	311	113	1,413	—	—	1,837	7,517	—	1,117	8,523	183	339,350	147,792	495,848
TOTALS 1965	—	72	13	1,350	71	21	1,527	6,065	—	2,461	6,981	310	468,046	147,734	623,071

The distribution of ore production from the mine is shown in the following table:

Source of Ore	1966		1965	
	Tons	%	Tons	%
Surface to 1900-foot level	160,906	30.2	190,572	29.2
1900-foot to 2500-foot level	93,536	17.5	147,888	22.6
2500-foot to 3100-foot level	103,851	19.5	144,262	22.1
3100-foot to 3700-foot level	73,962	13.9	78,362	12.0
Below 3700-foot level	100,753	18.9	92,413	14.1
Total Ore Produced	533,008	100.0	653,497	100.0

Manager's Report continued

A summary of the tonnages of ore broken by the different mining methods follows:

Mining Method	1966		1965	
	<i>Tons Broken</i>	<i>%</i>	<i>Tons Broken</i>	<i>%</i>
Cut-and-Fill Stopping	104,878	21.1	201,901	32.4
Cut-and-Fill Pillar Recovery	—	—	—	—
Total Cut-and-Fill Mining	104,878	21.1	201,901	32.4
Square-Set Stopping	226,705	45.7	260,357	41.8
Square-Set Pillar Recovery	138,280	27.9	131,315	21.1
Total Square-Set Mining	364,985	73.6	391,672	62.9
Undercut and Fill Stopping	7,767	1.6	4,460	0.7
Undercut and Fill Pillar Recovery	9,512	1.9	16,419	2.6
Total Undercut and Fill Mining	17,279	3.5	20,879	3.3
Total Cut-and-Fill, Square-Set, and Undercut and Fill Mining	487,142	98.2	614,452	98.6
Shrinkage Stopping	—	—	1,328	0.2
Total Mining	487,142	98.2	615,780	98.8
Development Ore	8,706	1.8	7,291	1.2
Total Ore Broken	495,848	100.0	623,071	100.0
Percentage of Tons Milled		91.7		95.3

A total of 241,783 cubic yards of backfill, of which 234,364 cubic yards or 96.9% was obtained from mill tailings, were placed in the mine.

Ore Reserves:

At the end of 1966, proven ore reserves including allowances for dilution, were as follows:

	<i>Tons</i>	<i>Ounces of Gold Per Ton</i>
Surface to 1600-foot level	301,730	0.297
1600-foot to 2500-foot level	815,081	0.324
2500-foot to 3700-foot level	909,753	0.398
3700-foot to 4550-foot horizon	2,163,001	0.520
Total reserve at the end of 1966	4,189,565	0.439
Total reserve at the end of 1965	4,825,543	0.433

Included with the total ore reserves at the end of 1966 are 3,930 tons of broken ore with a grade of 0.373 ounces per ton. During the year 95,442 tons, the greater part of which was between the 3400-foot and 4000-foot levels, were removed from the ore reserves for economic reasons following a re-appraisal of the original diamond drilling results.

Diamond drilling was confined to short exploratory holes largely from stopes to check ore outlines. No new ore of any significance was found during the year.

General:

The total work force decreased from 757 to 686 and the underground work force decreased from 483 to 442. The shortage of skilled miners and also of men suitable for training as miners became quite serious in June, at which time the decrease in production in the mine necessitated a reduction in tonnage milled. In August a general increase of 2.6% to all hourly wage rates became effective and several new job classifications were established providing a substantial increase in the basic hourly rate for miners of proven ability.

In the second Quarter the No. 2 fluo-solids roaster was rehabilitated and 11,411 dry tons of zinc concentrate were roasted for the Canadian Electrolytic Zinc Company.

During the year 6.37 million board feet of lumber were consumed as compared with 6.25 million board feet in 1965. Square-set timber consumption amounted to 40,852 pieces as compared with 43,539 pieces in 1965.

Once again I take pleasure in thanking the Departmental Heads and their staffs for their work and cooperation during the past year. I also acknowledge with sincere appreciation the support and assistance of the Officers and Directors.

Respectfully submitted,

S. C. YULE,

Manager.

Virginiatown, Ontario,
January 31, 1967.

KERR ADDISON

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET

DECEMBER 31, 1966

(with comparative figures for 1965)

ASSETS

CURRENT:	1966	1965
Cash and short-term notes	\$ 422,795	\$ 493,334
Marketable investments, at cost less amounts written off (quoted market value \$13,287,356)	10,490,352	9,757,675
Bullion at realizable value	636,597	604,623
Accounts and interest receivable	1,092,939	1,078,626
	<u>\$12,642,683</u>	<u>11,934,258</u>
INVESTMENTS IN SHARES AND BONDS OF MINING COMPANIES, at cost (note 1)	15,115,195	15,384,736
INVESTMENTS IN SUBSIDIARY COMPANIES (note 2):		
Joutel Copper Mines Limited — at cost —		
Shares	1,531,458	1,615,354
Income debentures	1,775,577	1,756,620
Other at nominal value	<u>1</u>	<u>1</u>
	3,307,036	3,371,975
DEFERRED:		
Exploration expenditures (note 5)	567,684	
Supplies and materials at cost	977,210	1,052,429
Prepaid expenses (including in 1966, special refundable tax of \$51,691)	<u>105,909</u>	<u>179,711</u>
	1,650,803	1,232,140
FIXED, at cost:		
Buildings, plant and equipment	13,937,992	14,046,459
Less accumulated depreciation	<u>13,709,934</u>	<u>13,716,478</u>
	228,058	329,981
Land	72,995	72,995
Mining claims and properties	<u>1,245,993</u>	<u>1,245,993</u>
	1,547,046	1,648,969
OTHER:		
Receivable under agreement of sale (note 3)	300,000	600,000
Mortgages receivable	6,048	7,290
Shares of inactive mining companies at nominal value	<u>1</u>	<u>1</u>
	306,049	607,291
	<u>\$34,568,812</u>	<u>\$34,179,369</u>

(See accompanying notes)

MINES LIMITED

(In accordance with the laws of Ontario)

BALANCE SHEET

As at December 31, 1966

(December 31, 1965)

LIABILITIES

CURRENT:	1966	1965
Accounts payable and accrued charges	\$ 562,313	\$ 558,242
Mining taxes payable	45,000	135,000
Dividends payable	200,300	173,000
	<u>\$ 807,613</u>	<u>866,242</u>
CAPITAL AND SURPLUS:		
Capital stock (note 4) —		
Authorized:		
10,000,000 shares of no par value		
Issued:		
7,082,952 shares	13,367,606	13,084,475
Earned surplus	20,393,593	20,228,652
	<u>33,761,199</u>	<u>33,313,127</u>
	<u>\$34,568,812</u>	<u>\$34,179,369</u>

On behalf of the Board:

W. S. ROW, Director.

J. H. STOVEL, Director.

AUDITORS' REPORT

To the Shareholders of
Kerr Addison Mines Limited:

We have examined the balance sheet of Kerr Addison Mines Limited as at December 31, 1966 and the statements of operations, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in policy relative to the deferment of certain exploration expenses as explained in note 5 to the financial statements, which change we approve.

Toronto, Canada,
February 14, 1967.

CLARKSON, GORDON & CO.,
Chartered Accountants.

(In accordance with the laws of Ontario)

Statement of Operations

For the year ended December 31, 1966

(with comparative figures for the year 1965)

REVENUE:	1966	1965
Bullion produced	\$7,124,161	\$ 8,444,945
Investment income	1,703,843	1,620,918
Other	130,094	73,105
	<u>\$8,958,098</u>	<u>10,138,968</u>
EXPENSE:		
Cost of metal production	5,715,891	6,074,392
Less recoverable under the Emergency Gold Mining Assistance Act	598,000	410,000
	<u>5,117,891</u>	<u>5,664,392</u>
Administration and general expenses	257,906	251,659
Directors' fees	21,900	22,100
Outside exploration (note 5)	722,322	1,055,694
	<u>6,120,019</u>	<u>6,993,845</u>
Net income before provisions for depreciation and taxes	2,838,079	3,145,123
Provision for depreciation	94,055	139,780
Net income before provision for mining tax (note 6)	2,744,024	3,005,343
Provision for mining tax	53,270	119,313
Net income for the year (note 5)	<u>\$ 2,690,754</u>	<u>\$ 2,886,030</u>

(See accompanying notes to financial statements)

Statement of Earned Surplus

For the year ended December 31, 1966

(with comparative figures for the year 1965)

	1966	1965
Balance, beginning of year	\$20,228,652	\$19,806,429
ADD:		
Net income for the year	\$2,690,754	2,886,030
Profit on sale of investments	356,049	314,931
Profit on sale of fixed assets	28,599	35,141
	<u>3,075,402</u>	<u>3,236,102</u>
	<u>23,304,054</u>	<u>23,042,531</u>
DEDUCT:		
Dividends	2,825,421	2,813,879
Adjustment of prior years' allowances under the Emergency Gold Mining Assistance Act	85,040	
	<u>2,910,461</u>	<u>2,813,879</u>
Balance, end of year	<u>\$20,393,593</u>	<u>\$20,228,652</u>

(See accompanying notes to financial statements)

Statement of Source and Application of Funds

For the year ended December 31, 1966

(with comparative figures for the year 1965)

	1966	1965
Working capital, beginning of year	\$11,068,016	\$11,881,197
SOURCE OF FUNDS:		
Operations —		
Net income for the year	\$2,690,754	2,886,030
Depreciation	94,055	139,780
	2,784,809	3,025,810
Profit on sale of investments	356,049	314,931
Proceeds on disposals of fixed assets (net)	36,467	63,911
Issue of capital stock under share options	283,131	88,371
Decrease in supplies and materials and prepaid expenses	149,021	71,592
Received under agreement of sale	300,000	300,000
Mortgage payments received	1,242	3,285
Sale of non-current investments	334,480	
	4,245,199	3,867,900
APPLICATION OF FUNDS:		
Dividends	2,825,421	2,813,879
Investment in shares and debentures of Joutel Copper Mines Limited		1,740,380
Purchases of other non-current assets		126,822
Deferred exploration expenditures	567,684	
Adjustment of prior years' allowances under the Emergency Gold Mining Assistance Act	85,040	
	3,478,145	4,681,081
Net increase (decrease)	767,054	(813,181)
Working capital, end of year	\$11,835,070	\$11,068,016

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966

- Shares and bonds of mining companies consist of holdings which are not in the nature of temporary investments. Included are shares and bonds carried at a cost of \$14,830,415 which have a quoted market value of \$27,006,882 computed by pricing the individual holdings at the closing market quotations on December 31, 1966. The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations. Also included are investments carried at a cost of \$284,780 consisting of holdings for which no regular market quotations are available.
- Joutel Copper Mines Limited has shown neither profits or losses to December 31, 1966. The investments in other subsidiary companies are carried at nominal value.
- The amount shown as "Receivable under agreement of sale" represents amounts due from The Patino Mining Corporation on sale of mining property and is due in annual instalments of \$300,000 on December 31 of each year. The instalment due in 1967 has been included in "Accounts and interest receivable" in the balance sheet.
- During the year options were exercised on 41,533 shares for a total consideration of \$283,131. At December 31, 1966 employees' options on 41,450 shares were outstanding.
- In 1966, the company adopted a policy of deferring exploration expenditures on properties where it was probable that a mine would be established. The effect of this change in policy was to increase net income for the year by \$567,684.
- No income taxes appear to be payable for 1966. Had the exploration expenditures deferred in the accounts at December 31, 1966 not been available as a deduction for income tax purposes, estimated income taxes payable would have amounted to \$172,000. Of the \$567,684 of exploration expenditures deferred (see note 5) only \$237,000 will be available as a deduction from future taxable income.

PRODUCTION RECORD

FOR THE YEARS 1938 TO 1966

	<i>Tons Milled</i>	<i>Average Tons Per Day</i>	<i>Recovery Per Ton Ozs.</i>	<i>Total Ounces Produced</i>	<i>Total Value</i>
1938 -----	148,642	609	0.1880	27,946.54	\$ 985,641
1939 -----	268,409	735	0.2030	54,480.03	1,984,858
1940 -----	445,864	1,218	0.2064	92,021.07	3,544,433
1941 -----	694,894	1,904	0.2102	146,071.62	5,626,389
1942 -----	756,453	2,072	0.2139	161,811.43	6,232,794
1943 -----	674,487	1,848	0.1930	130,192.28	5,015,128
1944 -----	484,583	1,324	0.1666	80,722.23	3,109,598
1945 -----	430,065	1,178	0.1885	81,065.07	3,122,706
1946 -----	531,695	1,457	0.1984	105,483.35	3,853,253
1947 -----	780,153	2,137	0.1923	150,039.56	5,257,179
1948 -----	889,711	2,431	0.1873	166,617.10	5,838,584
1949 -----	1,560,195	4,275	0.1837	286,573.92	10,379,402
1950 -----	1,582,974	4,337	0.2027	320,808.50	12,211,154
1951 -----	1,612,707	4,418	0.2052	330,936.99	12,432,366
1952 -----	1,649,836	4,508	0.2110	348,113.58	12,566,611
1953 -----	1,643,298	4,502	0.2081	341,912.99	11,969,639
1954 -----	1,659,298	4,546	0.2142	355,473.24	12,146,148
1955 -----	1,660,533	4,549	0.2573	427,193.24	14,797,154
1956 -----	1,665,045	4,549	0.2842	473,235.67	16,277,717
1957 -----	1,652,132	4,526	0.3143	519,336.89	17,474,450
1958 -----	1,661,980	4,553	0.3263	542,268.88	18,423,484
1959 -----	1,662,534	4,555	0.3412	567,304.80	19,125,030
1960 -----	1,667,638	4,556	0.3552	592,244.59	20,420,106
1961 -----	1,490,319	4,083	0.3495	520,867.17	18,615,842
1962 -----	1,242,933	3,405	0.3364	418,150.29	15,742,590
1963 -----	956,217	2,620	0.3399	324,986.31	12,299,154
1964 -----	779,174	2,129	0.3426	266,970.40	10,099,818
1965 -----	653,757	1,791	0.3415	223,252.31	8,444,945
1966 -----	540,536	1,481	0.3487	188,458.82	7,124,161
	31,446,062	—	0.2622	8,244,538.87	\$295,120,334

Breakdown of Supplies and Services

PURCHASED BY THE KERR ADDISON MINE FOR THE YEAR 1966

Iron and Steel Products	\$ 150,613
Tools and Machinery (Mine, Mill, Shops)	131,518
Reagents and Chemicals	178,688
Coal and Coke	7,192
Petroleum Products	21,444
Rubber Products	10,400
Lumber and Timber	708,173
Building Products (Miscellaneous)	110,574
Electrical Equipment	28,339
Air-Operated Equipment and Parts	47,304
Explosives	113,324
Refractories	5,275
Foodstuffs	6,052
Insurance	162,125
Miscellaneous	158,683
Sub-Total	<u>\$1,839,704</u>
Hydro-Electric Power	277,579
Freight and Express	58,839
TOTAL	<u><u>\$2,176,122</u></u>
Total Paid in Wages and Salaries	\$3,987,502
Provincial Mining Tax	53,270
Municipal and Sundry Taxes	47,922

Principal Canadian Cities and Towns Which Benefit:

Arnprior, Ontario.	Englehart, Ontario.	New Liskeard, Ontario.	Sarnia, Ontario.
Beachville, Ontario.	Evain, Quebec.	Newmarket, Ontario.	Sault Ste. Marie, Ont.
Belleville, Ontario.	Fredericton, N.B.	Niagara Falls, Ontario.	Scarborough, Ontario.
Bowmanville, Ontario.	Galt, Ontario.	Nobel, Ontario.	Sherbrooke, Quebec.
Brampton, Ontario.	Georgetown, Ontario.	Noranda, Quebec.	Sorel, Quebec.
Brantford, Ontario.	Guelph, Ontario.	North Bay, Ontario.	Staynerville, Quebec.
Burlington, Ontario.	Hamilton, Ontario.	Oakville, Ontario.	Sudbury, Ontario.
Clarkson, Ontario.	Haileybury, Ontario.	Orillia, Ontario.	Thornbury, Ontario.
Cobalt, Ontario.	Joliette, Quebec.	Oshawa, Ontario.	Timmins, Ontario.
Cobourg, Ontario.	Kirkland Lake, Ontario.	Ottawa, Ontario.	Toronto, Ontario.
Cooksville, Ontario.	Kitchener, Ontario.	Owen Sound, Ontario.	Val d'Or, Quebec.
Cowansville, Quebec.	Larder Lake, Ontario.	Port Hope, Ontario.	Virginiatown, Ontario.
Don Mills, Ontario.	London, Ontario.	Rexdale, Ontario.	Welland, Ontario.
Downsview, Ontario.	Monetville, Ontario.	Rouyn, Quebec.	Weston, Ontario.
Elliot Lake, Ontario.	Montreal, Quebec.	St. Catharines, Ontario.	Windsor, Ontario.
		St. Mary's, Ontario.	Winnipeg, Manitoba.

NUMBER OF COMPANIES AND INDIVIDUALS (With Geographical Location)
THROUGH WHICH SUPPLIES OR SERVICES PURCHASED:

275 — Ontario; 40 — Quebec; 1 — New Brunswick; 2 — Manitoba; 11 — U.S.A.; 2 — England; 1 — Belgium.

